

QUALITY OF SERVICE PROVIDED BY HR FUNCTION IN IT INDUSTRY : AN EMPIRICAL STUDY OF IT & ITES ORGANIZATIONS IN PUNE CITY, INDIA

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ABSTRACT

The Human Resource function has evolved over the years from the labour officer, to the personnel officer, personnel manager and the human resource manager of today. The change in terminology also suggests a change in the objectives and boundaries of the function. This has led to the emergence and increase in the use of the term strategic human resource management (SHRM).

The Indian economy has been witnessing a growth in the contribution of the service sector to the GDP. The service sector now contributes more than fifty percent to the GDP of the country. Due to its very nature the service sector is highly dependent on its human resources. Among the service sector the information technology (IT) sector has become one of the fastest growing industries in India. The current study aims to empirically study the quality of services provided by the HR function using Ulrich's HR role assessment questionnaire surey in select IT and ITES organizations in Pune city in India.

Keywords: HR roles, Business Partner, IT industry, Quality of HR services.

Introduction:

The Human Resource function has evolved over the years from the labour officer, to the personnel officer, personnel manager and the human resource manager of today. The change in terminology also suggests a change in the objectives and boundaries of the function. The dynamic and competitive business environment resulting from globalization has led a new focus on how human resource should be organized and managed. This has led to the emergence and increase in the use of the term strategic human resource management (SHRM). There has now been a visible convergence between HRM and strategy.

The role of human resource management in gaining competitive advantage has been discussed in the western literature since the early eighties. Many studies have been conducted regarding how companies can gain a sustainable competitive advantage through their human resources and human resource management practices.

These studies have empirically proved the relationship between strategic human resource management and firm performance. There has been a positive relationship between HRM practices and firm financial performance.

Researchers have been addressing the link between HRM practices and competitive advantage. They have argued that human resource management practices can contribute to competitive advantage in so far as they elicit and

reinforce the set of role behavior that results in lowering costs, enhancing product differentiation or both. This perspective has contributed enormously to the theory, research and practice in the field of strategic HRM. Since 1990's there has been an increased focus on the strategic role of HRM. The strategic approach to human resource management refers to the human resource practices and strategic objectives of the firm. This view has become more significant in today's knowledge economy that depends upon the skill and knowledge of the workforce. From being a routine and reactive function the HR function has evolved to being proactive and strategic.

Many studies have found a positive relation between relation between strategic HRM practices and firm performance. However no studies were carried out in the Indian context to find the quality of service provided by the HR department. No sector specific studies on the role of HR were conducted.

Review of Literature:

Ulrich, D, (1998), argues that HR has never been more necessary today than ever. According to him the competitive forces that managers face today will continue to confort in the future, demand excellence. The efforts to achieve such excellence through a focus on learning quality, teamwork and reengineering are driven by the way

organizations get things done and how they treat people, and these are fundamental HR issues. According to him, HR can help deliver organizational excellence in the following four ways :- first HR should become a partner with senior and line managers in strategy execution, second it should become an expert in the way work is organized and executed, delivering administrative efficiency to ensure that costs are reduced while quality is maintained, third it should become a champion for employees, vigorously representing their concern to senior management and at the same time working to increasing employee contribution, that is employees commitment to the organization and their ability to deliver results and finally, HR should become an agent of continuous transformation, shaking processes and a culture that together improve an organizations capacity for change.

Stephen T. and John J. Rodwell, (1998) in their article examined the level of operational and strategic involvement by human resource department the influence of HR departments and the level of strategic integration as predictors of human resource management performance. They surveyed 146 senior line managers and HR executives in Commercialized and non commercialized public sector agencies in Australia. Their results indicated a positive relationship between the degree to which operational HR activities were transferred to line managers, HR influence, Strategic integration and the performance of the HRM function. Relationship was found between the level of strategic involvement by HR department and perceived performance of the function. The study highlighted the challenges faced by HR practitioners needed to be operational to be valued strategically.

Patrick Wright, et al (1999) in their study compared HR and line executives' evaluation of the effectiveness of the HR function in terms of its service delivery, roles and contribution. They conducted survey in 14 organizations and collected response from 44 HR and 59 line executives. The survey indicated that HR executives consistently rated the function higher than line executives and the greatest differences were observed on the more important and / or strategic aspects of HR.

Dirk Buyens (2001), carried a research to obtain an understanding of how management perceives the added value of HRM. The way the strategic role of HRM is perceived by three groups of managers closely involved with the management of human resources. A qualitative cross sectional research design was used. The research population consisted of three categories managers (1) Top managers (2) human resource managers and (3) line managers. The sample of top managers and the sample of HR managers were randomly and independently selected based on a directory containing all organizations located in Belgium. One hundred twenty HR managers were selected and contacted, 97 of them agreed to participate in the study, revealing an 81% response rate. 60 top managers were contacted and 38 of them were willing to participate (63% response rate). The sample of line managers

consisted of 178 subject attending a seminar on HRM. Together their sample consisted of 313 subjects. In total 256 originations were represented in the study. The data was collected through in depth interviews, focus groups and a questionnaire containing open ended questions. Data obtained from the interviews and focus groups were analyzed in three phases. Firstly all interviews and focus groups were typed out and / or transcribed. Secondly for each question a qualitative analysis of the answers were carried out at the level of the sample. Thirdly results from this analysis were compared for all the samples having answered a particular question. Ulrich's model on added value of HRM was used for analyzing the way subject described the added value of HR function. Subject's answers were compared with the four domains of added value Ulrich distinguished. (HRM as a strategic partner, change agent, employee champion and administrative expert). These four roles are described as four result domains in which HRM creates value for the organization. Management of strategic human resources includes activities aimed at alignment of HRM and the business strategy. Management of change includes ensuring that the organization has the capacity for change, while management of firm infrastructure has to do with the organization of an efficient HR administration. According to this model, management of strategic human resources is only one of the four domains in which HRM can deliver value to business. According to the study it was found that line managers considered the HR practices such as selection, training and career development as a major HR responsibility instead of defining it as a part of their own responsibility. The domain most frequently mentioned by top managers was management of transformation and change. The finding corresponds with the increasing importance of change management and restructuring (often leading to downsizing) for the majority of organizations, caused by increased competitive pressures and changing technologies. Change management has become a major concern for top management and they see HRM as one of the function through which these change programmes can be developed and implemented successfully. HR managers most frequently mentioned "management of employee" as the area in which HRM has an added value for the organization. The individualization of the employment relationship and a growing need for competent and motivated people could explain this concern. This domain was also considered to be important by many top managers. Line managers cited much less value developing activities of HRM that could be situated in this domain. Although several managers also described contributions of HRM situated in the domain of "Management of strategic human resources" this was obviously not the major area in which HRM was perceived to deliver value. This was true for the three groups of managers. This finding confirmed the author's proposition that the question about the value added of HRM cannot be answered correctly by focusing exclusively on the strategic role of HRM.

They concluded that according to the participants in their sample, HRM can deliver value within different areas, ranging from administration to strategy formulation. Many top managers and HR managers and to a lesser extent, line managers, stressed that there are several other areas in which value can be and has to be delivered. This confirms the multiple role model designed by Ulrich (1997). The author in the conclusion quotes Schuler about the opportunity for HRM to shift from an 'employee advocate' to a "member of the management team". He stressed that this requires that HRM be concerned with bottom line, with profits, organizational effectiveness and survival. It means addressing human resource issues as business issues. The data from the study suggests that top management does value this role by situating HRM at the value driven stage of the involvement level. He argued that in order to become a member of the management team, HRM to be centrally involved with the business at the level of strategy formulation and implementation but also as employee champion, administrative expert or change agent. Like Schuler (1990) argues "the ideal organization has the HR manager jointly working with the line manager solving people related business issues.

Statement of the Problem of the Study:

There has been a transition in the Indian economy from Agriculture to manufacturing and services. The service sector now contributes more than fifty percent to the GDP of the nation. The contribution of the IT sector to the GDP has been continuously increasing. The IT sector is knowledge based and heavily depends upon the human resources.

The HRM function in these organizations has to be proactive and needs to be strongly linked to the overall business so as to succeed in a highly competitive market. We can state the problem of the study through the following questions.

- 1) What is the overall quality of the services provided by the HR department in IT and ITES organizations?
- 2) Is there any difference in the quality of HR services across IT organisations?

Significance of the Study:

The competitive landscape is changing and new models of competitiveness are needed to deal with the future challenges. Organizational capability has become a source of competitiveness and if line managers and HR professionals are to become the champions of organizational capability, then a new agenda for both HR practices and HR professional must emerge. As champions of competitiveness, HR professionals must focus more on the deliverables of their work than on doing their work better. They must create mechanisms to deliver HR so that business result quickly follows.

The role of human resource management in gaining competitive advantage has been discussed in the western literature since the early eighties. Although there are many ways by which companies can gain competitive advantage, one way often overlooked is through their human resource management practices. HRM practices enable companies to gain competitive advantage in two major ways. One is by helping themselves and the other is by helping others. There appears to be a significant

benefit from having HRM considerations represented in strategy formulation stage rather than in implementation stage.

Research Objective:

The objectives of the study were as follows:

- 1) To assess the quality of the human resource functions in information technology organizations.
- 2) To find out the extent to which there are variations in the quality of HR services across organisations

Research Hypotheses:

The study was based on the following hypotheses.

- 1) The quality of current services provided by the human resource function in information technology organizations is high.
- 2) There are large variations in the quality of HR services provided by the HR department across different IT organisations.

Research Methodology:

The study is based on both primary and secondary data. Both primary and secondary data was collected for the present study.

Primary data:

The primary data for the study was collected through the following methods and techniques.

Sample population:

The population for the study consisted of all the companies registered with the software technology parks of India (STPI) Pune, National Association of Software and Services Companies (NASSCOM) Pune, Software exporters association of Pune (SEAP) and Maratha Chamber of Commerce, Industries and Agriculture (MCCIA) directory of IT and ITES organizations in Pune. Many organizations are members of two or more of these associations. There are approximately 600 IT and ITES organizations in Pune city.

Sample Selection:

A total of 120 organizations were selected from the sample population using simple random sampling method. Out of these about 69 organizations responded to the questionnaire used for data collection, from which there was low response (less than 5 questionnaires) from 39 organizations. The final sample for data analysis consisted of 30 organization which is representative of the sample population.

Research Instrument:

The questionnaire of Human resource role assessment survey designed by Ulrich and Conner was used for the study. The questionnaire consists of 40 questions designed to find out the different roles performed by the human resource function. These four roles are administrative expert, employee champion, change agent and strategic

partner. Each question has to be rated by the respondent on a five point likert type scale of 1 to 5. 1 denotes low and 5 denotes high quality of the current quality of the role of the human resource function. The sum of the scores (ranging from 40-200) for all these roles provides the overall quality of human resource services within an organization. Total score above 160 is considered high, indicating a perception of high quality in the delivery of human resource services. Total score below 90 indicate human resource services perceived as being of low quality overall. The allocation of scores among the four roles indicates the extent to which the human resource function performs the operational and strategic role.

The questionnaire was administered to over 495 respondents comprising of 386 employees and 109 human resource staff.

The instrument was tested for its reliability using cronbach’s alpha. The cronbach’s alpha for the instrument was found out to be 0.85 which indicates that the instrument is highly reliable.

Informal interviews of the human resource heads, managers and executives were also conducted to find out the roles performed by the human resource function and their views about the role of human resource department.

Data Analysis:

The data collected from the respondents was codified and entered into the system. The data was analyzed using SPSS (Statistical Package for Social Sciences) package software. The data was analyzed with the help of various statistical tools like mean, mode, median, standard deviation and various appropriate statistical tests.

Testing of Hypotheses:

H₁: The quality of services provided by the HR function in IT organizations is high.

The quality of the services provided by the HR function was assessed using Ulrich and Conner’s Human Resource Role Assessment survey. The questionnaire was administered to 495 employees from 30 organizations and the sum total of the four roles in these 30 organizations was computed. The mean score for these organizations was found to be 125.

According to Ulrich, total score above 160 may be considered high, indicating a perception of high quality in the delivery of HR services. Total scores below 90 indicate HR services perceived as being of low quality overall.

Hence the total score of 125 indicate HR services in the IT organizations to be of a moderate quality.

Therefore we reject the hypothesis that the quality of service provided by the function in IT organizations is high and accept that the service provided by the HR function in IT organizations is of moderate quality.

H₂: There is variation in the quality of services provided by the HR department across organisations

To test the above hypothesis a null hypothesis was set i.e.

H₀: There is no difference between the quality of services provided by the HR department across organizations

In order to test the hypothesis t- test was used.

-TEST

/TESTVAL=0

/MISSING=ANALYSIS

/VARIABLES=HRQTY

/CRITERIA=CI(.95).

Test

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
HR service Quality	30	125.4667	16.56072	3.02356

One-Sample Test						
	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
HR service Quality	41.496	29	.000	125.46667	119.2828	131.6505

The p value of 0.0001, with t- value of 41.496 with df = 29 was found to be significant at 0.05 level, hence we reject the null hypothesis and accept the alternate hypothesis. This implies that there are significant differences in the quality of services provided by the HR department.

Discussions and Conclusion:

The human resource function in India has grown out of labour legislation enacted by the government rather than the initiatives taken by the employers as in the UK and the US. The primary role of the HR function in India was administrative and legal compliance. However after the adoption of the new economic policy by the government in 19991 ,the Indian market was open to the MNC’s which expose the personnel function of Indian companies to the contemporary HR policies followed across the globe. This brought about a change in the outlook and the nomenclature in the HR function.

The present study was undertaken to find out the current quality of services provided by the HR department and whether there exists any differences in quality of services provided by the HR department in information technology (IT) and information technology enabled (ITES) organizations in India.

The mean value of the all the roles performed by these organizations was found to be 125 which indicates a moderate level of quality of service provided by these organizations. The empirical finding of the current study is contrary to the assumption that the quality of services provided by HR department in IT/ITES organizations is of high quality. However a comparative study of quality of services of HR departments in manufacturing and IT needs to be undertaken to conclusively prove this assumption.

Another objective of the study was to find out whether there are significant differences in the quality of HR

services provided by the HR function across IT/ITES organizations. It was found that there are wide variations in the quality of services provided by the HR department across organisations. There may be various factors causing these variations, further studies need s to be carried to investigate the factors responsible for these variations.

Thus the assumptions that the quality of services provided by the HR department in IT/ITES organizations is of high quality does not hold true empirically according to this study. However in order to make any generalized statement empirical studies across countries should be taken into consideration. Also there are wide variations across organizations which can be the area for further research.

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Annexure-I

Mean values for the four roles of HR

Name of the Organization	Quality of Service
1	133
2	121
3	111
4	102
5	118
6	135
7	152
8	136
9	116
10	101
11	130
12	149
13	121
14	121
15	113
16	117
17	110
18	128
19	108
20	140
21	152
22	112
23	163
24	122
25	126
26	120
27	114
28	103
29	153
30	137
